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**Development of a tourism network within Finnish-Russian cross-border co-operation**

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## ABSTRACT OF THESIS

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<p>Abstract</p> <p>This research was aimed to get updated information about cross-border tourism development from Russian tourism entrepreneurs and local authorities.</p> <p>The overall objective of this work was to encourage and support cross-border co-operation for the improvement of the current network of local entrepreneurs and regional authorities within particular cross-border tourist route: Finland – Kostomuksha – Jyskyjarvi – Vuokkiniemi – Kalevala – Tiksha – Kem - Solovetski Island.</p> <p>The study was integrated with the completed Northern Route to Karelia-project and the ongoing Interreg projects at the Western border of Russia (the Republic of Karelia). According to the joint strategy between Northern Karelia and Kainuu and Oulu regions, all the projects over the border in the area are linked to each other. By the way, this research was considered to be important for planning and implementing further Interreg and Tacis projects, in the frame of cross-border tourism development.</p> <p>The study was defined what Russian tourism entrepreneurs, operating within particular route, and local authorities, think about long-term cross-border tourism network development.</p> <p>The research methods, which have been used, for the collection of the required information are personal interviews and SWOT-analysis.</p> <p>The main tasks of that survey were: to identify what type of inbound tourism services are being provided; how long they being provided; what type of marketing tools are used; what type of inbound tourists are visiting; future forecast about tourist products and possible partnership's network.</p> <p>The interviews' outcomes showed that of 18 respondents 13 were successfully interviewed. Five respondents refused to answer for some different reasons during the preliminary stage of that survey.</p>	
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## **Introduction**

This research was aimed to get updated information about cross-border tourism development from Russian tourism entrepreneurs and local authorities.

The overall objective of this work was to encourage and support cross-border co-operation for the improvement of the current network of local entrepreneurs and regional authorities within a particular cross-border Tourist Route: Finland – Kostomuksha – Jyskyjarvi – Vuokkiniemi – Kalevala – Tiksha – Kem - Solovetski Island.

The study was integrated with the completed Northern Route to Karelia-project and the ongoing Interreg projects at the Western border of Russia (the Republic of Karelia). According to the joint strategy between Northern Karelia and Kainuu and Oulu regions, all the projects over the border in the area are linked to each other. The research was considered to be important for planning and implementing further Interreg and Tacis projects in the frame of cross-border tourism development.

The research work also introduces existing possibilities and obstacles for the development of Finnish-Russian cross-border tourism and analyses the opinions and views of Russian tourism entrepreneurs and local authorities.

The study defined what Russian tourism entrepreneurs, operating within a particular route, and local authorities think about long-term cross-border tourism network development. The research methods, which have been used, for the collection of the required information are personal interviews and SWOT-analysis.

In the conclusion, the author tried to present possible opportunities for future researches related to this task. Also, a small comparative analysis with a similar Finnish study's results was accomplished.

There is no longer any doubt regarding the importance of tourism in today's world. Its ascendancy to the world's largest industry has been a rapid one. What has not kept pace with the increasing amount of tourists and growth in areas devoted to tourism has been knowledge about the phenomenon itself and its consequences. Within the last few years, that trend has changed. Numerous tourism texts are appearing to fill some of the knowledge gaps. Governments and private sector operations are more willing to finance tourism related research. Academic institutions are beginning to offer more courses in tourism and include the name in degree programs. What this all means is that is no longer the private domain of the wealthy, but is enjoyed, studied, and integrated into the daily lives of many people throughout the world. Obviously, one could argue that pleasure tourism is not enjoyed by even a majority of the world's population, especially those in developing countries, but then neither is adequate health care. (Seaton A.V., and Bennett M.M., 1996, p.135)

Simply, because one does not have the wherewithal to travel does not preclude one from being affected by tourism. It is the sheer number of travelers and the even larger group of willing and unwilling hosts that require that more attention be paid to the consequences of tourism. Tourism development can be defined in many different ways. One of them is a tourism route as a tool for the cross-border economic development of rural areas, such as Northern Karelia. It has been argued that rural tourists have varied motivations, which might include ecological uniqueness, special adventure opportunities, cultural attractions, or the peace and quiet of the countryside (Sharpley & Sharpley, 1997; Page and Getz, 1997. Greffe (1994, p.30) suggests that this presents a unique opportunity for tourism operators to manage in terms of "economies of scope" by establishing networks of different service providers, organized in such a way as to maximize opportunity and offer a diverse range of activities through the development of a cross-border tourism network. (Sharpley & Sharpley, 1997, p.12).

## **1. The European Union's policy in the neighboring areas.**

Finland's membership of the European Union and active participation in the development of Union policies and strategies provide substantial additional momentum to the overall development and financing arranged in the neighboring areas. The Northern Dimension for the Policies of the European Union in November 1999, a Foreign Ministers' Conference on the Northern Dimension (ND), held in Helsinki, set guidelines for the co-operation between the Member States of the European Union and the partner countries in northern Europe. Coordinating the ongoing programmes of co-operation implemented by the EU, the Member States and partner countries will enhance the efficiency of cooperation in the ND area. (<http://www.iiss.org/rpfreepdfs.php>)

The Conclusions of the Conference established the following priority areas for the Northern Dimension:

- Energy networks and gradual integration of energy markets
- Natural resources, industrial development and trade
- Transport and telecommunications, tourism and services of transit traffic
- Development of research and human resources
- Protection of the environment and nuclear safety, including treatment of nuclear waste
- Public health and social welfare, especially prevention of contagious diseases
- Combating crime based on the conclusions of the Tampere Council.

The Conclusions drew attention to Kaliningrad on account of its special geographical position within the framework of the Northern Dimension. Second, note was taken of the importance of co-operation between sub regions within larger entities. As an example of this, mention may be made of the various sub regions in the Baltic Sea region where more contacts would be welcome. Third, the position of the indigenous people in the Arctic regions of the north was highlighted, and it was suggested that the issue could be discussed as one item of interest to the Northern Dimension. In December 1999, the Helsinki European Council invited the Commission to prepare a plan of action for the Northern Dimension. This work is to be conducted in co-operation with the Council and the partner countries should be consulted in the course of the process. The Action Plan for the ND

(Northern Dimension), based on the recommendations of the Foreign Ministerial Conference, will, for its part, influence the priorities of Finnish neighboring area co-operation. (<http://www.formin.finland.fi/doc/>)

### 1.1. The EU's strategy on Russia.

The Common Strategy on Russia was adopted in the Cologne Council in June 1999, and seeks to strengthen the strategic partnership between the European Union and Russia. The purpose is to improve coordination and coherence of activities undertaken by the Union and its Member States. The relations between the Union and Russia will continue to be grounded on the PCA (Partnership Co-operation Agreement), which includes the objective to further develop the idea of a free trade area. The main objectives of the strategy are:

- a) Consolidation of democracy, the rule of law, and public institutions. Special attention is paid to regional and local administration within the framework of their powers. It is considered an absolute prerequisite for the consolidation of democracy in Russia that civil society take root in all fields.
- b) Russia's integration into the common European economic and social space requires a more advanced market economy and the development of the rule of law as prerequisites for the launch of investments necessary for economic growth. In both the EU's strategy on Russia and in the field of the Northern Dimension, the *Tacis Programme* serves as a key-financing instrument, covering the years from 2000 to 2006. (<http://www.formin.finland.fi/doc/>)

### 1.2. Finland's participation in EU's neighboring programmes

Finland has actively participated in efforts to support the political and economic transition process in Central and Eastern Europe in the 1990s. Co-operation with the neighboring areas has evolved from a special need to support balanced social development in Estonia, Latvia and Lithuania, and to establish such a new network of co-operation between Finland and areas bordering Finland and Russia as is appropriate in the new circumstances. In the 1990s, this cooperation has become a significant part of Finland's foreign policy and external economic relations. Neighboring area co-operation promotes good relations



between Finland and the partner countries and helps alleviate and prevent phenomena, which have an adverse effect on Finland, such as environmental and nuclear security risks and the spread of organized crime and contagious diseases. To enhance stability, prosperity, equality and social harmony, Finland supports administrative reforms and the development of structures of the market economy in its adjacent areas. Support of the political and economic process of transition contributes to the development of civil societies and the consolidation of democracy and the rule of law.

Co-operation lays a foundation for increasing economic interaction and more active trade. Finland's strategy for co-operation in the neighboring areas, adopted by the Government in the years 1993, 1996 and 1999, has served as a foundation for carrying out this co-operation. Since 1996, the Cabinet Committee on Neighbouring Area Co-operation, chaired by the Prime Minister, has laid down the political guidelines. During the 1990s, Finland has allocated approximately EUR 2.5 billion for different assistance and co-operation programmes, of which about half in the form of grants.

Finnish support has focused on the environment, energy, nuclear safety and forests, rural development and, over the last few years, on projects which helped the Baltic Countries to meet the membership criteria of the European Union. All the Finnish ministries and government bodies subordinate to the ministries are, in practice, involved in the neighboring area co-operation. Regional and local actors also play a central role in this co-operation.

Neighboring area co-operation has had a favorable impact on the development of co-operation between the authorities of Finland and the Baltic Countries, on the one hand, and between Finland and Russia, on the other. As a result of this co-operation, Finnish administrative circles and Finnish business and industry have accumulated a considerable amount of know-how and expertise related to these countries.

A comprehensive network of co-operation, which covers all sectors of society, has been created. For the co-operation to succeed, the partner countries need to commit themselves to the common projects. A separate agreement was concluded with Russia in January 1992 on co-operation in the Murmansk Region, the Republic of Karelia, the Leningrad Region and the City of St.Petersburg. The aim of the agreement was to encourage direct cross-border contacts at the regional level, and joint working groups were established both with the central administration in Moscow and with the regions. The slow progress of the economic and social transition process in Russia requires reconsideration of the priorities of the

neighboring area co-operation. The development of political and economic relations between the EU and Russia is based on the Partnership and Co-operation Agreement (PCA) between the European Union and the Russian Federation of 1997. In June 1999, the EU adopted its Strategy on Russia and, in December 1999, a new Council Regulation was ratified concerning provision of assistance to the partner countries in Eastern Europe and Central Asia (Tacis Regulation). The Northern Dimension for the Policies of the European Union is being strengthened. As part of this process, efforts are being made to upgrade the coordination of EU programmes and programmes implemented by the Member States, and the co-operation with other actors, such as international financing institutions. Participation at the regional level has an impact on how projects are prioritized and implemented. Neighboring area co-operation constitutes, a national instrument for the implementation of the European Union's policies concerning the Northern Dimension. Changes in the operating environment call for continuous adjustment of neighboring area co-operation to new challenges. <http://www.formin.finland.fi/doc/eng/neighb/strategia/main.html>

## **2. Finnish-Russian relations since 1991**

### **2.1 Historical background**

Right after the disintegration of the Soviet Union at the end of 1991, Finland and Russia signed a neighborhood agreement to replace the Treaty of Friendship, Co-operation and Mutual Assistance. Negotiations had started in 1991 with the Soviet Union, but the agreement was completed with the Russian Federation in January 1992. In 1990 Finland disclaimed itself from the restrictions, which the Paris peace treaty had set on the Finnish armed forces.

During the 1990s, the border-crossing facilities on the Finnish-Russian border have improved significantly and several new border-crossing points have been established. Federal legislation as well as regional level regulations related to the border issues have subject to dramatic changes, and the preconditions for regional level cross-border co-operation have improved significantly. The two countries have concluded several intergovernmental agreements during the 1990s (e.g. agreements on cultural, educational and scientific co-operation, co-operation with the Murmansk region, and Republic of Karelia, city of St. Petersburg and the Leningrad region). Bilateral co-operation and financing has, however, been largely replaced by project type co-operation organized by Finnish and Russian authorities, and by non-governmental organizations. Today, central instruments in Finnish-Russian near area co-operation are European Union Interreg- and Tacis-programs and programmes of international financing institutes. Finland applied for EU membership in 1992 and joined the union at the beginning of 1995. After EU membership Finland's Russian policy has been carried out on two levels, through bilateral relationships and through participation in the formulation of EU policies towards Russia. <http://www.exlinea.org>

### **2.2 The partnership's framework**

From the Finnish point of view, Russian partnership with the EU and possible partnership with the World Trade Organization (WTO) as well as her relations with NATO and the OSCE have significant implications on bilateral co-operation between Finland and Russia. Especially important to the development of the border areas is the elaboration of the initiative of the Northern Dimension of EU policies. Current Northern Dimension policy

derives from the Helsinki Foreign Ministers' Conference in November 1999 and from the "Action plan for the Northern Dimension in the external and cross-border policies of the European Union" that was accepted in 2000. After joining the Schengen agreement in 2001, Finland's visa policy has become identical with the Schengen visa policy. In practice, the border between Finland and Russia has been subjected to similar entry and departure checks as before. (<http://euregio.karelia.ru>)

Russian internal legislation on border affairs includes the Constitution (1993), Law on State Border (1993), Law on Entering and Leaving the Russian Federation (1996) and the Conception of Cross-Border Co-operation (CBC), 2001. Two years ago the State Duma approved a Law on Russia's Border Territories. The Conception of CBC is a framework document detailing aims, factors and forms of CBC, as well as a division of responsibilities between the federal, regional and local authorities. The Law on Entering and Leaving the Russian Federation sets general rules in this field. Recent amendments to this law, in force since 14<sup>th</sup> April 2003, have allowed foreign citizens traveling on cruise ships to enter Russia for 72 hours without Russian visas.

In addition to the federal laws, there are region-level regulations. Thus, both the Republic of Karelia and the Leningrad region have such a document as 'Regulations of Border Zone and Border Regime'. These regulations are almost identical in the both regions. They state that the border zone includes the territory which is situated within five kilometers from the state border. (<http://euregio.karelia.ru>)

Local residents can access the zone with proper documents having a special 'registration stamp'. All others must have a pass issued by Border Guards or a duly certified invitation. Foreigners must have a clearance from the Federal Security Service. Of course, these regulations do not concern those traveling abroad through the border zone, but such travelers do not have the right to stay in the zone or to move freely within its limits.

Russia's regions have their own international co-operation programmes. For example, in 1999-2002 Karelia had a programme titled: 'The Main Directions of the Development of International Co-operation'. In the year 2000 the Karelian Government approved the 'Cross-Border Co-operation Programme for 2001-2006', and in 2001 it approved the 'Programme

for the Development of Border-Crossing Points in 2002-2006'. All these documents are fairly comprehensive and detailed. They testify that, on the one hand, the Karelian Government strives to promote international openness of the Republic in order to stimulate its development, while; on the other hand, it tries to mitigate some negative consequences border transparency. (<http://euregio.karelia.ru>)

Since 1993 the Republic of Karelia has participated in the activities of the Barents Euro-Arctic Region Council, and the Council of the Baltic-sea countries. As an example of regional legal framework for future cross-border co-operation it is important to mention Euro-region Karelia, which was founded in order to advance regional co-operation and especially to co-ordinate Interreg and Tacis cross-border co-operation projects. Three Finnish NUTS3 regions: Kainuu, Northern Karelia and Northern Ostrobothnia and the Republic of Karelia in Russian side established Euro-region Karelia in 2000. (<http://euregio.karelia.ru>)

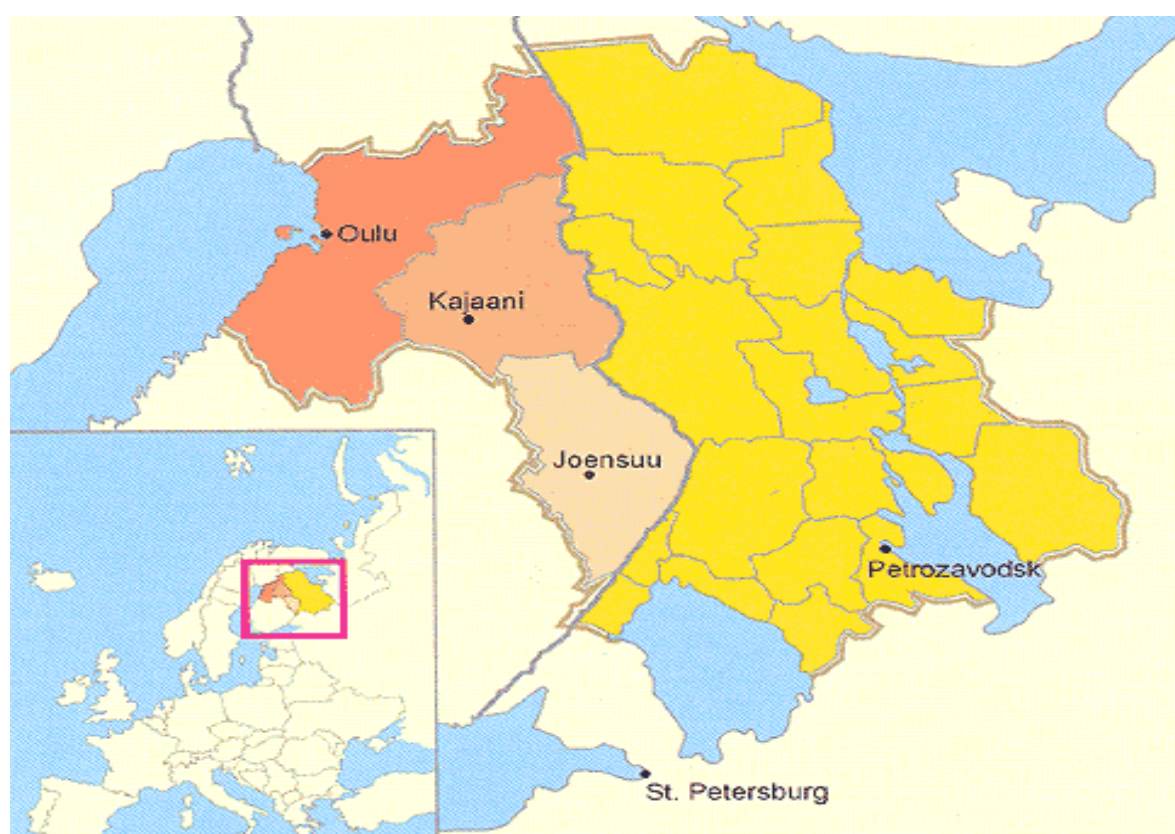
### 2.3. Euro-region Karelia as a tool for Finnish-Russian co-operation

Euro-region is an area formed by three Regional councils of Finland - Kainuu, Northern Karelia and Northern Ostrobothnia, and the Republic of Karelia of the Russian Federation. The territory of Euro-region Karelia extends from the Gulf of Bothnia in the Baltic Sea to the White Sea and from the arctic circle to Ladoga Lake. The most part it is situated between 62 and 66 degrees of latitude north and 24 and 34 degrees of longitude east. The total area of the territory is about 263700 km<sup>2</sup>, of which Karelia covers two-thirds of this area. The area of the Republic of Karelia is 180 500 km<sup>2</sup>, which is equal to half of the territory of Finland. The area of the Finnish part of the Euro-region is 83 167 km<sup>2</sup>. It will take you only a couple of hours to get from Kajaani to Kostomuksha through the Vartiuss - Lyttä cross-border point, as well as from Joensuu to Sortavala through the Varttila - Niirala cross-border point.

The area of the Finnish part of the Euro-region forms 25 % of the total area of Finland, but only 12% of population of the whole country lives there. The Republic of Karelia covers a bit more than 1 % of the total area of the Russian Federation, and its population is about 0,5% of the whole country's population. The length of the common border between Russia and Finland is 1300 km. 750 km of the total length belong to the territory of Euro-region

Karelia. The overall population of Euro-region Karelia is 1 400 000 people. The majority of 775,000 live in the territory of the Republic of Karelia and 626 000 - in Finland. Lately the population in this territory has reduced in comparison with the previous decade. Density of the population in this territory is quite thin: a bit more than 5 people per km. There are unsettled areas on both sides of the border. Cities are comparatively more populated. (<http://euregio.karelia.ru>)

In the structure of the economy of Euro-region Karelia serious hold the leading position both in the Republic of Karelia and in the Regional Councils. At least two-thirds of the working population is employed in this sphere. In second place come, industry and construction, after that agriculture and forestry. Below you can see the geographical area of Euro-region Karelia.



**Table 1** The Map of Euro-region Karelia

The Euro-region is a unique umbrella project with a framework for realizing bilateral and multilateral projects in specific sectors. By 1999, the concept of the Euro-region had been drawn up, and in February 2000, in the border town of Joensuu, the Statute of the Karelia

Euro-region was adopted and its executive committee and fund were set up. Joining the Republic of Karelia in this Euro-region were the three border Unions of Communities from Eastern Finland Northern Karelia (Finnish jurisdiction), Kainuu and Northern Ostrobothnia.

In setting up “Karelia” the following goals defined:

- Karelia Euro-region should be part both of the EU’s Northern Dimension and of Russia’s future strategy for Northern Europe. There will be no chance of carrying it out successfully if Republic of Karelia does not fully take into account the regional factor and the specifics of Russian-Finnish cross-border relations in the Northern Dimension initiative and Russia’s corresponding strategy.
- The Euro-region is a way to gradually overcome the gap in living standards between each side of the state border. This can be achieved, for the most part, by the trans-border projects in their entirety, by creating the conditions to attract innovative production facilities to the Republic and by setting up a variety of businesses in the service sector.
- When the Euro-region was divided, the starting point was to maintain for future generations the unique culture of the Slavic and Finno-Ugric peoples, who live in the border area. The first steps towards this goal have been taken. A project to set up ethno-cultural tourism centre is underway under the logo of the world-famous Finnish literary epic Kalevala. (This was a folk poem, which was part of the oral tradition among speakers of Baltic-Finnish languages in Finland and Karelia for 2,000 years. Ed.) The spiritual nature of this project is one of the main differences between the Karelia Euro-region and other similar ones in Europe. (<http://euregio.karelia.ru>)
- The Euro-region presents excellent opportunities for establishing civil society in the Republic of Karelia. Civil society is like a building with a complicated architectural design. So far in Karelia only the first elements of civil society have emerged, for example, an attempt to set up independent local self-government and clear signs of a modern political system in the regional executive, legislative and judicial branches

of power. Mass media of different political persuasions is available in the Republic. Furthermore, it is perfectly clear that without establishing civil society and its fundamental democratic institutions, in the Russian Federation and in the Republic of Karelia in particular there will be no success either in the economic sphere or in social programmes.

- Karelian and Finnish neighbors have many common problems in the environmental protection of the forests of Fenno-Skandi. This is a unique reservoir of fresh water and the region's biological diversity.
- The customs, tourism and transport infrastructures on the border should improve significantly. Here it's going to be the development of the bilateral and international crossing points more evenly spaced along the 790-kilometre line of the Karelian part of the Russian state border. This would be in the interests of all districts and towns of Karelia and their twin-towns in Finland, and in the interests of optimizing the flow of people and freight. The Northern Dimension initiative presupposes the creation of a transit and resource Euro-region that will enable freight to cross the border more effectively.

From the point of economic income the main sphere of economy in the Republic of Karelia is the forest industry, but the sphere of services creates the majority of working places - 63% of the total number of working places in the Republic of Karelia. This sphere keeps growing especially in the field of transportation. It is expected that in the nearest future tourism will become an important source of income. The structures of the economies of the Regional Councils of Finland have much in common with the Republic of Karelia.

A small difference can be noticed at the level of communes and provinces. Every tenth person of the total working population is employed in agriculture, forestry and tourism, every fourth - in industry and construction. This structure reflects an economy based on natural resources. Modern industry is developed less than average in all regions. Updating industries can reduce migration of the population, but it will take time to settle people on this territory. (<http://euregio.karelia.ru>)



## 2.4. Regional aspect of tourism partnership

Many cross-border tourism partnerships have been initiated between Russian Karelia and Finland over the past ten years. These partnerships are a direct reflection of both bi-lateral shared values and larger regional alliances that have formed with the enlarging of the European Union and the courtship of Russia within the European family of nations. The Republic of Karelia, situated on the borders of the Russian Federation and EU member Finland, simultaneously holds an important place both in the northwest region of Russia and in the Baltic and Barents Sea regions. It is worth pointing out that Russia has joined the framework Madrid Convention (May 1980) on cross-border co-operation between border regions and communities, and has conceptualized a strategy for such co-operation. (Tourism and Well-Being, p. 238-240).

The Republic's position, of course, presupposes that the regional government takes a sensible stance on the place and role of the Republic of Karelia in the inter-regional division of labor during Russia's transition to a market economy. On the other hand, Karelia, like its neighbors – the other administrative regions of the Russian Federation in the northwest, on the state border – plays quite an important role in integrating the Russian Federation's economy into the international division of labor in northern and Western Europe.

That is why in the Republic of Karelia's strategic planning documents – in the Concept for the Socio-economic Development of Karelia until 2010 and in specially designated programmes – an equally important place is given to realizing the Republic's own potential, its cross-border contacts with Finland and also mutually beneficial trade, economic and other links with partners from other countries in the world, primarily in the Baltic region. (Tourism and Well-Being, p. 378-400).

The increased forces behind the emergence of cross-border tourism between Finland and Russian Karelia emerge from both the grassroots level, person-to-person and community-to-community interactions as well as from regional institutions in Moscow and Brussels, intent on normalizing relations and promoting economic stability across the face of Europe. At the grassroots level, families and communities across the border are slowly returning to close cultural and trading patterns. For instance, the Juminkeko Foundation, located in Kuhmo, Finland in partnership with the Arhippa Perttunen Foundation in Kostomuksha. (Tourism and Well-Being, p. 360-370).

### **3. The concept of tourism**

#### **3.1 Tourism definition**

Tourism can be defined as the act of travel for the purpose of recreation, and the provision of services for this act. A tourist is someone who travels at least eighty kilometers (fifty miles) from home for the purpose of recreation, as defined by the World Tourism Organization (a United Nations body).

A more comprehensive definition would be that tourism is a service industry, comprising a number of tangible and intangible components. The tangible elements include transport systems - air, rail, road, water and now, space; hospitality services - accommodation, foods and beverages, tours, souvenirs; and related services such as banking, insurance and safety and security. The intangible elements include: rest and relaxation, culture, escape, adventure, new and different experiences.

Hospitality services are networks of people who trade accommodation. Usually, no money is involved. This gives travelers the chance to stay with locals instead of in hotels or hostels, getting a better perspective on the culture they visit and saving money. Most networks were founded to enable people traveling to gather more intercultural understanding and to foster peace in the long run. (<http://www.world-tourism.org/>)

As a matter of fact, there is no single definition for tourism as a phenomenon that everyone accepts (see Jafar 1997; Chadwick 1994; Tribe 1997). In the context of tourism impacts and evaluation of the regional economics of tourism, however, it is important to elaborate the nature of the concept and its meanings. To fully understand the problem of cross-border tourism and development requires clarification of some proffered definitions of tourism and the process (development) that makes the phenomenon possible. Early definitions of tourism focused on the spatial dimension. A person was considered to be a tourist when he moved a specified distance away from his home. A definition of the tourist, which can be used for statistical purposes, becomes even more complex when international travel is considered.

So, tourism is defined as the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and

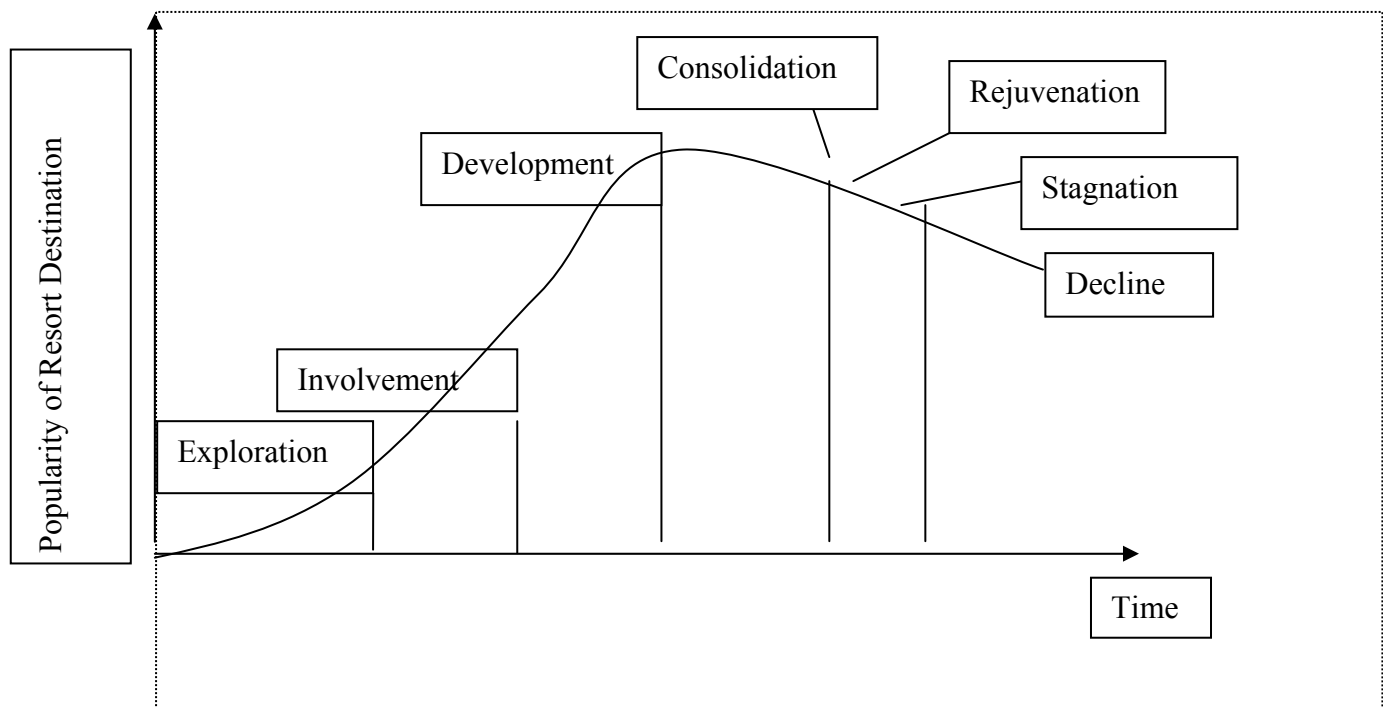
other purposes not related to the exercise of an activity remunerated from within the place visited. This definition recognizes four important elements of tourism: the tourists, businesses providing travel related services, governments (at all levels) which are responsible for policy control over tourism, and the people who live in an area visited by tourists. (<http://www.world-tourism.org/>)

The use of this broad concept makes it possible to identify tourism between countries as well as tourism within a country. "Tourism" refers to all activities of visitors, including both "tourists (overnight visitors)" and "same-day visitors". From a local perspective, tourism is often evaluated as a development by non-local actors, investors and capital, and it may represent non-local change, value systems and ideologies for the local communities (see Squire 1994; Waite 1999, p. 87). Conceptually, the aspect of non-locality has also served as an element distinguishing between tourism and recreation. At a general level, recreation refers to leisure – i.e. a time during which a person exercises choice and performs actions (or not) in a free and voluntary way- activities, which the residents of an immediate region do not undertake (see Coppock 1982; Herbert 1988; Pizam & Jenkins 1999, p. 2-7). Recreation has also been traditionally more based on the public sector and well-being than tourism, which has been seen as a commercial, private sector economic activity with the intention to make profit and provide employment.

### 3.2 Development definition

Development is an even more difficult term to define than tourism. It can be viewed as either a process or a state (Goulet, 1968, from Pearce, 1989). For example, "third world" or "underdeveloped world" refers to the economic condition of a group of nations. Defining development as a condition or state of being requires the acceptance of a unit of measurement. Gross National Product, per capita income, or some other economic value measurement can be used to measure the relative economic condition of nations. Similarly, reading comprehension scores can be used to measure an individual's reading development state. Measurements of the state of development are always relative and only relevant for a particular point in time. (Goulet, 1968, p.156)

Development also can be viewed as a process. Tourism development might be viewed as a process of physical change. Butler (1980) describes the evolution of tourism development as consisting of six stages (Figure 1.1).



Source: Butler, 1980

Figure 1.1

The first stage, exploration, is similar to discovery in the sense that initially small numbers of tourists choose to visit a particular place. Once significant numbers of tourists have arrived, the stage of involvement happens. The appearance of small facilities or businesses catering to tourists is the first signs that the destination is beginning to enter the involvement stage. The third stage is development, referring to a condition of extensive facility construction to either provide attractions to tourists or service they needs. If some negative aspects occurred during the development stage, it is in consolidation stage that they begin to be recognized by larger segments of the host society. As tourist numbers slow to the point where there is no growth in new arrivals, the destination enters the stagnation stage. One of two things has happened. Either physical capacity has been reached or tourist interest has declined. Rejuvenation can occur in two different ways. If the facilities constructed to accommodate tourist needs have reached capacity, another track of development begin. If tourists are no longer interested in the destination, the product has to be changed. (Butler, 1980, p. 47-58)

This particular model introduces development as a physical process. But development should not be seen alone as a physical phenomenon. It is likely an evolutionary process which touches economic, physical and social restructuring. In that respect, appropriate

tourism development should be defined as the process of increasing the quality of life for tourists and host societies in particular domestic area. The key is determining a measurable unit for quality of life. Whether that process is good or evil is something that has to be determined by the people directly involved in the tourism industry. (Butler, 1980, p. 23-35)

Such kind of scheme of tourism development also might be relevant to cross-border network tourism. Because, popularity of resort destinations within cross-border areas is often changeable and unstable. Host governments, host societies, tourists, and tourist service providers are equally important in determining the type and the level of change that is acceptable. Since they often have conflicting goals, each group must try to understand what development means to the other to determine the most acceptable way of co-operation.

### 3.3 Networks definition

Network and cluster relationships are also a significant part of the development of intangible capital through their role as social capital. Networking refers to a wide range of co-operative behavior between otherwise competing organizations and between organizations linked through economic and social relationships and transactions. Industry clusters exist where there is a loose geographic concentration or association of firms and organizations involved in a value chain producing services, goods and innovating.

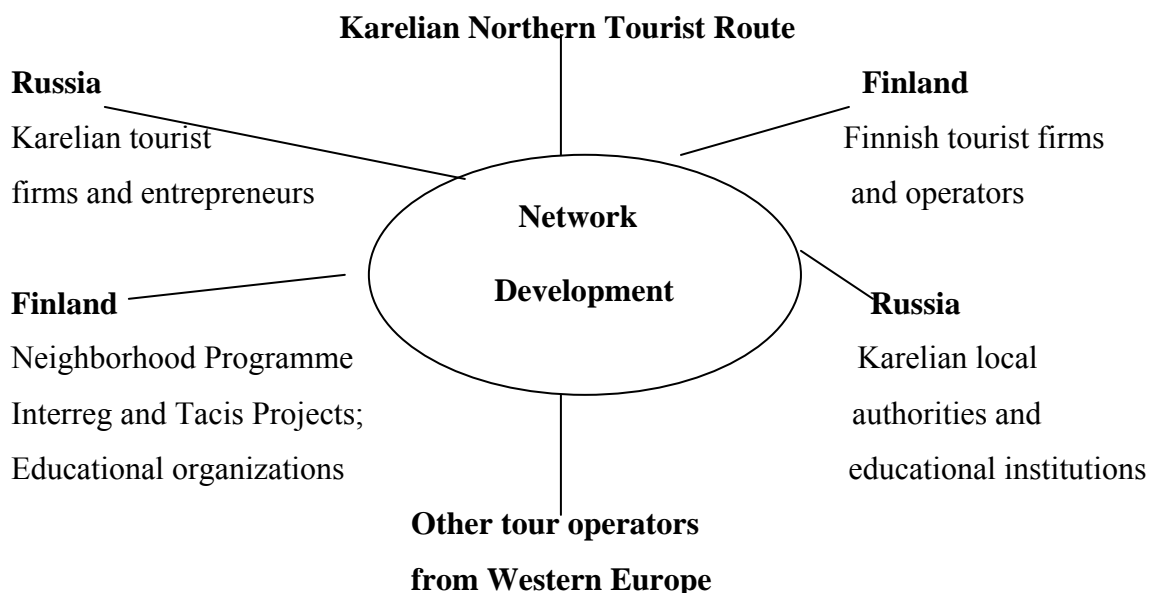
A cluster is defined as a concentration of companies and industries in a geographic region that are interconnected by the markets they serve and the products or services they produce, as well as by the suppliers, trade associations and educational institutions with which they interact (Porter, 1990, p.74). Such exporting chains of firms are the primary drivers of a regions economy, on whose success other business, such as tourism firms, for example, depend on in terms of their own financial viability.

An industry cluster includes companies that sell inside as well as out side the region, and also supports firms that supply raw materials, components and business services to them. These clusters form value chains that are the fundamental units of competition in the modern, globalized world economy. Clusters in a region form over time, and stem from the region's economy foundations, its existing companies and local demand for products and services (Waits, 2000, p.112).

Firms and organizations involved in clusters are able to achieve synergies and leverage economic advantage from shared access to information and knowledge networks, supplier and distribution chains, markets and marketing intelligence, competencies, and resources in a specific locality. The cluster concept focuses on the linkages and interdependencies among actors in value chains (Enright and Roberts 2001, p.57).

Its implication for the research project tourism network might be defined as some type of co-operation environmental area, within which different tourism actors, authorities, projects and educational organizations interact with each other based on mutual interest consideration.

It can be seen as follows:



## **4. Tourism development trends**

### **4.1. World tourism trends**

"Tourism" - the practice or activity of touring, related businesses and services, or promotion of tourist travel - is the world's largest industry. Despite a slowdown in 2001 due to the September 11 terrorist attacks on the US, the Israeli-Palestinian conflict in the Middle East, the economic crisis in Argentina, and other negative events, globalization and rising incomes point to international arrivals topping one billion by 2010, with receipts reaching US \$1550 billion that same year.

The World Tourism Organization (WTO) 2002 data shows France as the world's top tourist destination, followed by Spain and the US. While such developed countries still lead the way, the WTO projects that East Asia and the Pacific, South Asia, the Middle East, and Africa will record growth at rates of more than 5 percent per year through the year 2020, compared to the world average of 4.1 percent. (The more mature regions of Europe and the Americas are anticipated to grow slower than average.) In terms of tourism receipts, the top developing-world destinations are: China, Mexico, Russia, Thailand, Argentina, Korea, Turkey, Brazil, Egypt, and Czech Republic. (<http://www.world-tourism.org>)

### **4.2. Finnish-Karelian tourism trends**

In 2004 implementation of the Republic's target program Development of Tourism in the Republic of Karelia in 2003-2006 aimed at preservation and rational use of cultural and natural potential of Karelia and increase of contribution of tourism in the economy proceeded. Successful development of tourism in Karelia is based on construction of new and reconstruction of existing objects of tourism infrastructure, and the attraction of investment, primarily, private, for these purposes.

Rendering organizational and methodical support to investors regarding business planning, land tenure, and drawing up promoted growth of investments which volume in tourism infrastructure in 2004 has made about 400 million rubles. (About 2 times growth to 2003).

Among the larger investment projects implemented and launched in 2004, there is the completion of the construction of "Black Stones" hotel-tourist complex on Janisjarvi lake

(more than 150 mln.rbls. of involved means), the continuation of the tourist complex "Karelia" and "Kivatch" sanatorium reconstruction (80 million ruble.), the beginning of works in the creation of thematic park "Karelia" (the first successful experience in attracting more than \$1 million of foreign investments in the republic's tourism). In the territory of the Republic, in particular in places where the basic tourist potential is concentrated, hotel construction was developed, and more than 350 new places for accommodation of tourists have been set up. The priority was given to setting up operation of small country hotels and cottage complexes.

As international co-operation in the sphere of tourism developed, special attention was paid to starting of a network of small projects aimed at becoming of the branch in districts of the republic. With the active participation of the Government of the RK (Republic of Karelia) 10 international projects related to development of tourism in Kalevala, Medvezhyegorsk, Muezersky, Olonets, Pitkäranta, Pudozh, Suojarvi districts and Petrozavodsk with the total budget of 2.320 EUR millions have been implemented. The Big Tacis SBS-Project "Development of Tourism in the Northwest of Russia" has been launched. (<http://www.gov.karelia.ru>).

Tourism is an important component of inter-regional co-operation. Since December 2003 Karelia, has actively participated in work of the Moscow Agreement which extend extensively the implementation opportunities of the Republic in advertising, publishing and exhibition promotion of its tourist potential and attraction of investments.

In 2004 joint activity of the Government of the RK and leading tourist companies of the Republic on advertising and information promotion of tourist potential and tourist product of Karelia, increased substantially through participation in the largest international tourist exhibitions livened up considerably. The republic has been presented by the uniform stand at the following exhibitions: INWETEX (St.-Petersburg), WTM (London), MATKA (Helsinki), ITB (Berlin), MITT (Moscow), MITF (Moscow).

The second specialized trade exhibition "Hunting and Fishing" took place in September of 2004 in Petrozavodsk, and in November the capital of the republic hosted participants and visitors to the fifth Republican specialized exhibition "Karelia Touristskaya - 2004".

Activity of the State Establishment "Information Tourist Center of the RK", that is tourist Internet-portal, contributes to the promotion of the Karelian tourism in the Russian and



international service markets. The network of information tourist centers in the republic continues to develop. In settlements of Kalevala and Chupa such centers already operate, same centers will be founded in the cities of Sortavala, Kostomuksha, Kem, Lahdenpohja, settlements of Värtsiljä, Pryazh, and Louhi. In 2004 work proceeded on increases the standard of the multilevel system of continuous tourist education created in the Republic. In eight establishments of the Republic, which train experts in the sphere of tourism at levels of additional, specialized secondary and higher education, more than 1200 students have graduated or study.

Summarizing the IIIrd Republic's competition "Leaders of the Karelian Tourist Industry - 2004", nine nominees have been chosen from the best tourist agencies and entrepreneurs engaged in the tourist activity in the Republic of Karelia scheduled for celebrating the World Day of Tourism (on September 27, 2004).

As a result of the measures taken it was possible to achieve an essential gain in almost every quantity indicator used for the annual monitoring of tourism development in the Republic of Karelia.

According to estimated data, the total number of visitors in the republic in 2004 was 1.55 million people (105.4% of the level of 2003) Almost a quarter of them (the highest parameter in the last 10 years) have been the 385 000 organized, or package tourists. Active tourism developed quickly (up to 30% of the increase in the number of organized vacations).

The number of organizations and entrepreneurs possessing tourist activity implementation licenses has increased up to 137 (compared to 108 in 2003). About 70% of them identity entry tourism as a priority sphere of their work. (<http://www.gov.karelia.ru>, Tourism Statistics, viewed 12.09.2005).

In 2004 influx to the basic tourist attractions of the Republic has increased. The memorial estate "Kizhi" has received about 180 000 visitors (159 800 in 2003). For the first time in the last 4 years the number ship calls to Petrozavodsk increased from 123 to 137. Päänaajarvi and Vodlozersky National parks in 2004 have received and served up to 5 000 tourists and visitors apiece. The influx of tourists to the islands of Valaam archipelago remained at the level of maximum recreational loading of 90 000 tourists and pilgrims. The reserve "Kivatch" has received up to 30 000 visitors. The number of the tourists, who visited

Belomorsk has increased from 3 000 up to 10 000 due to the introduction of a new high-speed passenger line the "Belomorsk - Solovki". (<http://www.gov.karelia.ru>).

In 2004, almost 1.6 million Russians visited Finland. The number of visitors grew slightly from the year before. As in the previous year, Russians formed the biggest group of foreign visitors. As for the cross-border tourism activity, so this amount does not attract the whole picture. According to cross-border survey by Finnish Tourism Organization MEK, the share of visitors from Karelian Republic was about 3 % among the amount of all visitors.

The average age of Russian visitors was 38. The number of men and women visiting Finland was equal. Of the Russian visitors, one half said a leisure trip was their main reason for traveling. One quarter of the Russian leisure travelers came here on a shopping trip. For every fifth passenger business was the reason for coming to Finland.

Every tenth visitor was on a transit trip. Seventy-three per cent of the Russians did not overnight at all while in Finland. Their average number of overnight stays in Finland was 1.5 nights. Forty per cent of the visitors staying overnight lodged at a hotel or motel. One third found accommodation at their friends or relatives. (<http://www.mek.fi>).

The sums of money left in Finland by Russian travelers were economically significant. In 2004 Russian visitors spent in Finland EUR 276 million, which is 14 per cent less than in the previous year. Two thirds of total spending went on shopping. Russian visitors spent per day EUR 69, on average.

Russians took part in outdoor activities less than average. In the summer every tenth and in the winter four per cent of the visitors had taken part in some outdoor activity. One third reported Eastern Finland as their main destination and one-quarter Helsinki. Over every tenth visitor had two destinations on the trip or no destination at all. (<http://www.mek.fi>).

## **5. The research plan**

### **5.1. Background of the research**

The neighboring regions of Finland and Russia have elaborated a common vision of the socio-economic development of border areas and indicated key trends of mutual efforts in the provision of livelihood for locals. Cross-border tourism is the most important resource for sustainable development of depressed regions (such as Kalevala and Kem) and priority sector for regional governmental support. Tourism facilitates the resolution of the main social and economical problems arising in undeveloped rural areas near border: unemployment, lack of income sources for locals, deterioration of living standards, and preservation of cultural and natural heritage. A number of preliminary plans, and common projects were prepared and implemented between Russian and Finnish partners for cross-border tourism development. In the regional concept “The revival of the Republic of Karelia” for the period of 2002-2006-2010 tourism, especially cross-border tourism has been identified as a priority for the socio-economic development of Karelian Republic. (<http://www.iiss.org/rpfreepdfs.php>)

It is a natural fact also that, declining economic activity, restructuring of the agricultural sector, starting rural industrialization and migration of higher educated youth, has led to the adoption, in many western nations, of tourism as an alternative development strategy for the economic and social regeneration of rural areas. Throughout the world, developing countries, with a rich resources base of natural and cultural treasures, hold significant comparative advantage in their potential to attract tourists in search of authentic new experiences. Evolving tourist trends have, over the last decade, led to a shift from standardized mass tourism to more individualistic patterns.

It has been argued that rural tourists have varied motivations, which might include ecological uniqueness, special adventure opportunities, cultural attractions, or the peace and quiet of the countryside. It is suggested, that this presents a unique opportunity for rural operators to manage in term of “economic of scale” by establishing networks of different service providers, organized in such a way as, to maximize opportunity and offer a diverse range of activities. For suppliers of rural tourism this emphasizes the significance of the

development of product, which attracts, satisfies and retains the market. (Tourism Management Journal, 25, 2004, p. 56-59).

Clustering of activities and attractions, the erection of user friendly signage, the establishment of rural tourism routes, which stimulate entrepreneurial opportunity, the development of requirement services and the provision of a diverse range of optional activities, has become decisive in securing business in less developed rural areas. Effort is focused on maximizing individual spend, and providing products and experiences that act as an incentive to tourists to stay longer and return on repeat visits. (Greffé, 1994; Gunn, 1979; Chassagne, 1991; Fagence, 1991; Lew, 1991; Getz and Page, 1997; Kinsley, 2000)

The potential of tourism routes has long been realized in developed countries. In 1964 a Council of Europe working group created the idea of a series of European Cultural Routes, with the prime objectives of raising awareness of European culture through travel, setting up networks for cultural tourism, and utilizing European cultural heritage as a means of stimulating social, economic and cultural development, thus improving the quality of life of local people. The idea however only came to force in 1980 with the establishment of the Santiago de Compostela Pilgrim Ways (Council of Europe, 2002, p.11).

The term Cultural Tourism Route was defined as a “route crossing one or two more countries or regions, organized around themes whose historical, artistic or social interest is patently European... the route must be based on a number of highlights, with places particularly rich in historical associations” (Council of Europe, 2002, p.2). The program, with over 2000 partners, is based on multilateral co-operation involving a chain of projects and information sharing networks, monitored and coordinated by the European Institute of Cultural Routes (Council of Europe, 2002, p.3)

Concerning all of the above mentioned, Finland and Karelian Republic also have common rural areas with similar historical and cultural roots. In this context, the proposed research work will help to further develop the already existing Northern Karelian Tourism Route by obtaining updated information about cross-border tourism network development. For the long-term purpose it will facilitate the creation of a broader international tourism network, which should involve rural operators from Western Europe, Finnish and Russian tourism entrepreneurs and local authorities.

As a matter of fact, only a few research works have been done about cross-border tourism relations recently. The latest research was carried out in 2004 by the R&D department of Kajaani Polytechnic in Finland.

The main objectives of that research were to identify the amount of trips organized by Finnish tour operators to Northern Karelia; to identify tourism objects and types of the trips; how the trips succeeded; what was the level of delivery services and logistics; what kind of development requirements existed. The results showed a rather good level of interest in building a long-term co-operation network within the Finnish-Russian cross-border area.

But it is an obvious fact that, to create successful cross-border network co-operation, it is required to know what both actors think about possibilities and obstacles for this interaction. That's why it was necessary to make a similar work for Russian tourism entrepreneurs, also.

## 5.2. Central idea of the research

An idea to research cross-border tourism relations between Finnish and Russian tourism entrepreneurs came to the force during my work placement in the R&D department of Kajaani Polytechnic. At that time the primary and secondary information for general description and current tourism infrastructure of the main streams of Northern Karelian Tourist Route were analyzed and collected.

In this respect, the R&D department of Kajaani Polytechnic, as the main beneficiary of this project, was interested to conduct another research about Russian tourism firms and local authorities, to compare results with the Finnish ones and activate tourism interactions during long-term co-operation.

Furthermore, in the near future, based on cross-border mutual contacts, tour operators from Western Europe, for instance, could enter the Northern Karelian tourism market.

To clarify the project's task and objectives before the carrying out of interviews, the author emphasized the main problem in the form of questions. It helped to define the framework and possible research tools for the project.

These questions are as follows:

- How to develop a long term cross-border tourism network between Russian and Finnish tourism entrepreneurs?
- What kind of possibilities and obstacles existed?
- What are the Russian's tourism entrepreneurs and local authority's point of view about development of cross-border tourism network with a long term perspective?
- How does the cross-border tourism of the region affect the life of its people?

### 5.3. Delimitation of the research

The statement of the problem indicates what the researcher wishes to include in his research. It is equally important for the researcher to indicate what is not to be included in his research project (Leedy, 1980, p. 60). The researcher cannot possibly include all the aspects of his problem in the research project. Inexperienced researchers are inclined to fall into the trap of attempting too wide an investigation. It can be very tempting to research matters on the periphery of the central problem. Such investigations, although they may be of significance as far as other projects are concerned, are a waste of time and distract the researcher from his actual research problem. In this context, the researcher should mention that all information, collected during interview process, was only concerned with inbound tourism activity on Russian side.

This research was carried out in the frame of a new Interreg III A Karelia Programme-Northern Gateway to Karelia, which started in September 2005. Development of international co-operation in the sphere of cross-border tourism and the involvement of regional authorities in the growing tourism services quality is the main priority of the research work also. In the frames of this study work has been done in several stages.

Firstly, the project's theoretical and methodological parts were written during July and August 2005, and the questions were formed for the conduct of interviews in each stream of

the Northern Karelian Tourist Route. Target groups have been defined as follows: Karelian tourism entrepreneurs and local authorities.

Secondly, according to the timetable of research, it was planned to make one trip along the particular tourist route for conduct interviews in the middle of September. Thirdly, analysis and results interpretations were made by the end of October, and then, finally the results presentation were done at the beginning of December. (See Appendix 7)

#### 5.4. Research method

- SWOT- analysis description

Many organizations use a SWOT analysis as the first step in developing their research plan. It is a useful audit and helps to focus the mind, but is only effective if followed up by consideration of the points it raises and actual plans on how to use the findings.

A SWOT analysis looks at the Strengths, Weaknesses, Opportunities and Threats facing an organization or product. The strengths and weaknesses relate to internal factors, some of which might be influenced or changed. The opportunities and threats are external factors, which often cannot be changed. (Briggs Susan, 1997, p.49).

- Types of research

There are basically two different types of research: *qualitative and quantitative*.

Quantitative surveys seek specific answers, which are often presented in statistical form, such as “25 percent of visitors to Helsinki said they would return”. Quantitative surveys generate statistical information, answering questions such as: Who? Where? When?

Qualitative research seeks to find out people’s personal opinions and feelings about products or experiences. Qualitative surveys generate opinion information, answering questions such as: How? What? (Briggs Susan, 1997, p.60-61).

Information for this particular survey has been acquired for data analysis by conducting personal interviews. Primarily, it was considered to be qualitative information, which required a different type of analysis of information than that of a more quantitative nature.

The principal method for the collection of qualitative data is the interview. A personal interview is the opportunity to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience. The aim of the interview is to provide flexibility to reach the heart of the matter whether on attitudes, opinions or beliefs.

The main advantages are that information on motivations and opinions not easily obtained through quantitative technique can be explored, information not previously thought about can be uncovered, issues can be explored and more clearly defined, and personal or sensitive information can be more easily collected. By the way, the qualitative method is rather useful when the research work is concerned with the relatively small amount of responders from 10 to 18, for instance. (Maanen Van, J., 1983, p.123-130)

#### 5.5. Research's reliability and validity

This research is based both on primary and secondary data, which were obtained by different methods. In this section of the thesis the main methods, which were applied when collecting the data, justification of these methods, and sample are discussed. Then, a discussion of reliability, validity, and quality of data follows.

##### ***Primary Data***

The primary data for this study was collected by both qualitative and quantitative methods in order to gather opinions of different experts and obtain qualitative information to support experts' views and get a deeper understanding of the research problem. According to (Brunt P., 1997, p. 17), qualitative methods help to gather a great amount of information from few individuals and find out their opinion about certain issue.

At the beginning of the research the author had personal communication with two experts in the tourism industry, and during this communication a personal interview method was



applied. By this method it was possible to obtain more consisting information about the cross-border business tourism activity on this particular tourist route and discover the experts' opinions about the given questions. Furthermore, the acquired information helped to define the focus of the study, namely the developing tourism network within Finnish-Russian cross-border co-operation, as this is one of the important aspect of cross-border business environment. Afterwards, two questionnaires for personal interviews were designed (See Appendices 2 and 3). One of them was applied during a probe interview with the tourist entrepreneur, who organized visas and insurance support for foreigners, and provide incoming tourists services within cross-border area.

There is another questionnaire was used in interview with representatives of Karelian local authorities, who is responsible for cross-border tourism development. During these probe interviews more information about cross-border tourism development was gathered, which allowed making initial conclusions and identifying certain problems in the industry. Moreover, the author observed the behavior of the interviewees during the conversation to see whether the information given by a person could be relied on. Before conducting interviews one has to define a population to make it clearer how a sample for the study is chosen. According to (Brunt P., 1997, p. 59) a population can be both finite and infinite.

The population of this research consists of all people who work in cross-border tourism development along the Northern Karelian Tourist Route (tourism firms and local authorities) and can be considered to be finite because the whole population is known and it is possible to count it. The sample consists of tourism entrepreneurs and local authorities working within incoming tourism sector development related companies in Karelia, and the majority of them occupy the highest positions (director and manager) or positions directly related to incoming tourism.

Reliability, according to (Malhotra N. K., 1999, p. 281) is the extent to which results would be the same if the research were repeated at a later time or with a different sample. The results of this research are reliable because if the same questions were asked of people working in the incoming tourism industry after a short period of time, the interviewees would probably give the same answers as the questions are clearly formulated and do not have hidden meanings. Moreover, as the incoming tourism field in the Karelian cross-border area develops quite slowly, the answers of the interviewees will not change significantly if

the same interview is conducted in the near future. However, the given answers could be influenced by important events in the tourism industry or economy within Finnish-Russian cross-border area. The quality of the obtained data is relatively high, as tourism experts, and representatives of the local authorities were interviewed.

In relation to validity, both internal and external validity exist. “Internal validity is the degree to which research measures what it is supposed to measure” (Cardelius and Lundborg, 1999, p. 27). Pilot testing of the questions checked the internal validity of this research to ensure that the respondents understood the questions correctly. Two respondents were asked to participate in the pilot test. If something was unclear, it was recommended to ask questions and make suggestions to increase the clarity of these questions before going to interview with the sample representatives.

### ***Secondary Data***

Sources of secondary data include the following: government agencies and organizations, tourism associations, press and subscription sources.

Secondary data supports the information, which was obtained during the interviews and from the survey and helps to identify patterns or trends existing in the incoming tourism industry. For the purpose of this thesis secondary data was taken from such sources as statistical bulletins, brochures about incoming tourism, materials provided by the tourism agencies in the Republic of Karelia, and web pages from the Internet. These secondary data sources are of quite high quality and reliability, especially the statistical bulletins and materials provided by the tourism agencies and the Karelian government. In relation to the Internet sources, as government and recognized organization web pages were used in the study, this information is considered reliable as well. All factual and primary data were obtained by carry out personal interviews with the Karelian local authorities and tourism entrepreneurs. The results were analyzed in Word computer program.

To structure the interviews’ outcomes, all answers have been classified into following three different groups:

- Tourism entrepreneurs
- CBC network development
- Future forecast

## **6. The interviews' outcomes**

Target group: Russian tourism entrepreneurs and local authorities

According to the schedule of the research work one study trip was organized. During preliminary negotiations with potential respondents about a timetable for interviews, it was planned to carry out them with 18 respondents, of 6 tourist destination points: Kostomuskha – Vuokkiniemi – Kalevala – Jyskyärvi – Kem – Tiksha.

Of 18 respondents, 13 were successfully interviewed.

Five respondents refused to answer due to different reasons of the preliminary stage of the survey.

The main objectives of this trip were to collect updated information about opinions and needs of Russian tourism entrepreneurs and local authorities, which are of concerned to CBC (Cross-Border Co-operation) in tourism and its further development.

The main tasks were: to identify what type of incoming tourism services are being provided; how long they being provided; what type of marketing tools are used; what type of incoming tourists are visiting; future forecast about tourist products and possible partnership.

As already was mentioned above in methodological part all answers have been classified into three different groups.

### **6.1. Tourism entrepreneurs**

First of all, what the author observed during the interview is that none of the tourism entrepreneurs had accurately organized statistical information about international clients. Basically, of 10 tourism firms 8 had provided the full range of tourism services for incoming tourists for a long-term period. The author considered a long-term period as from 5 to 10 years. As interviewees' responses show the types of incoming services are the following: hotels and cottages accommodation, local Karelian food supply, canteen services, visas and insurance support services, fishing, hunting, rafting, hiking, floating, culture

events, historical and ethnographical tours, snow-mobile safaris, nature observation tours, nostalgic tours, city tours, business and industrial tours.

According to the survey's results also, three of them organize incoming active tourism services all-year-around. One tourism entrepreneur has started operations for incoming tourists only from September 2005. The average amount of personnel in these firms varies from 4 to 14 based on permanent employment, so mainly they are small enterprises. During the higher season additional staff 4 to 5 personnel for each firm, are taken on short-term contracts.

The most popular incoming tourism services during summer the 2005 season were rafting, fishing, culture tours, hiking, and accommodation in private families, canteen services, business and boat trips. Eight tourism firms stated, "the amount of international clients slightly increased, comparing with the previous season". Two entrepreneurs said "the amount of Finnish clients during last season comparatively decreased". In this respect the author noticed that it was rather hard to obtain a reply regarding the exact amount of international clients from all respondents.

Nevertheless, among all international clients, Finns represented 80 %. All respondents supposed that due to the relatively small distance from the Finnish-Russian border, and very strong relatives' ties with old Karelian families; Finnish clients will be majority over the long-term.

The author identified, according to interviewees' responses, several other nationalities of clients. They look as follows: Russians, Swedish, French, Germans, Slovaks, Norwegians, Austrians, Englishmen, Czechs, Italians, Canadians, and French.

### ***Marketing aspects***

The most often used marketing tools for tourism entrepreneurs are tourism exhibitions, Internet, printed materials, and word of mouth. Two entrepreneurs don't organize any marketing actions and don't use Internet, at all. Six entrepreneurs are marketing their tour products abroad in such countries as Finland, Sweden, Germany, Norway and France by

using personal web sites and partners' channels from Finland. Only two firms currently sell their tourist services directly to clients without any intermediaries.

As a matter of fact, half of the interviewees stated that “they have 2-3 temporary partners from Finland”. The other half pointed out that “from a long-term perspective they need more Finnish partners based on long-term contracts and partnership relations”. In this respect the author also noticed, that probably due to confidentiality and privacy, most respondents did not tell the names of their Finnish partners. Some of the respondents unlikely termed the names of their partners from Finland such as: “Japimatka”, “Valmismatka”, “Matka Kyllönen” Oy, The Fund of Arhippa Pertunen, “Matka Moilanen”, “Kuusela Safari” Oy, Juminkeko Fund. As some respondents replied, “the official long-term partnership agreements might help us to avoid uncertainties, disagreements and disabilities to get contracts done between Russian and Finnish tour operators. Especially, it concern illegal tourism, when several Finnish tour operators provide a full range of tourist services on the Russian side without a Russian tourist license, for instance”.

## 6.2. SWOT-analysis of CBC network development

A SWOT analysis is applied in order to identify the key issues from an analysis of the business environment and the strategic capability of the tourism activity within Northern Karelian Tourist Route. For future development of cross-border tourism the industry players and local authorities have to capitalize on the strengths, eliminate weaknesses, exploit opportunities, and avoid threats.

### ***Strengths***

The interviewees mentioned a *good geographical location* as one of the strengths of the incoming tourism industry. It is fact that the Northern Karelian Tourist Route connects old Karelian ethnical villages, which are rather popular among potential Finnish and other international clients. Also, this particular tourist route is situated on the transit route between the EU and the Northwest part of the Russian Federation.

Another strength mentioned during the interviews is that most *restaurants; conference and accommodation facilities* along the tourist route have been either *recently built or*

*renovated*. Therefore, the interior of several hotels and restaurants is modern, comfortable, and pleasant for incoming visitors. “Of course, some further improvements should be done”, as some respondents, mentioned. For instance, the hotel occupancy rate in the Kostomuksha region during 2005 year was 61 %. As tourism experts mentioned, this is the highest rate in the Republic of Karelia. Furthermore, this particular route has a *rich historical and cultural heritage* with many places of interest for international clients. Some respondents of the survey indicated that when several Finnish clients visit this tourist route they are more interested in traditions, history, and culture of a destination area rather than in resorts and recreation places.

During the research process the author observed that there are quite *diversified tourism services* for international clients. One positive thing also mentioned by all respondents was “availability to take part in tourism EU projects, as an equal partner”.

### ***Weaknesses***

First of all, is the fact that many roads connecting the main tourist destinations are bad, and as some survey respondents mentioned, there are not enough direction signs along the roads in the Finnish language.

In addition, many survey respondents expressed their disappointment regarding the absence of basic tourist guide information at cross-border stations. Also, there is a lack of information resources due to an absence of modern tourist information centers in the main tourism destination points.

According to responses, one of the significant weaknesses of cross-border network development is lack of safety along the route. Many respondents said, “there are quite few safeguarded and well-equipped parking places on the route. Especially this concerns those international clients, who travel in caravan type of vehicles”.

One of the major negative things mentioned concerned the obligatory registration procedure for international clients at the border, as they are going to stay abroad more than three days. “It takes time and caused long queues”, some respondents replied.

In relation to CBC network development an absence of permanent long-term partnering relations with Finnish tourist companies was mentioned.

## *Opportunities*

To start with, one of the opportunities for CBC network development is that currently the Northern Karelian Tourist Route *is a visited and well-known place* for many potential Finnish clients. As stated by one of the respondents, “this route is still an attractive place for many people who have not been here, including people who make decisions about a destination place, and peoples’ curiosity encourages them to think of visiting old Karelian villages. In addition to that, more people choose to visit places where ecological safety is quite high and nature is unpolluted, which is the case on that particular route”.

Another opportunity is to *increase the number of international clients* to the main historical treasures such as Solovetsky Island and Kizi by developing this tourist route as a transit corridor for them. *Increased capacity* of hotels, and *decreased prices* of accommodation, the lack of and level of at present is one of the main reasons why many potential Finnish visitors do not come to this area, can be concluded from the obtained survey data.

Moreover, there is potential *to develop the incoming tourism* by providing necessary facilities for safe caravan parking places and improving road infrastructure within the tourist route.

The next opportunity is to *provide more information* abroad about new tourist products through official web sites of Finnish partners. It could be achieved by developing more direct and closer co-operation with companies abroad, by joining Interreg and Tacis projects as a partner, and sending and distributing more brochures about updated tourism possibilities within this area.

There is potential to *use the EU funds* for development of infrastructure and marketing of cross-border tourism on this particular tourist route. By the way, as some respondents mentioned, they have opportunities and facilities together with other Russian partners to organize very specific tours such as: helicopter tours to Solovetsky Island and Kizi, husky safari, and cultural tours around the whole Karelian Republic by targeting potential international clients.

In the near future, as discussed on the Federal level in the Russian government, it would be possible to obtain an express visa for Russia for EU members straight from the cross-border

stations. If it that would happen, so the amount of international clients would increase significantly.

### ***Threats***

Attention has to be paid not only to opportunities but also to potential threats, as they can influence the CBC network development as well. The author has identified such threats as *lack of capital and investment* in the cross-border tourism industry, which in the future can decrease the tourism industry's competitiveness in comparison with that in the neighboring regions.

Second, *changes in the Value Added Tax* for services provided by tourism companies to foreign visitors, which increased from 0% to 18% in 2003, will decrease Karelian's tour operators' price competitiveness in comparison to that of Estonia and Lithuania (Medne, 2003, p. 208). As a result, the number of Finnish travelers coming to cross-border areas may decrease during the next years. By the way, as most respondents mentioned, theft on the route is a potential threat, too.

Another threat is *weak state and government support of cross-border tourism*. Too few resources are provided to this industry, although currently support from the government is very important for the cross-border tourism, as it only in the middle of the path to development.

There is another threat concerning visa issue: very expensive visas even for children under 18 years old.

One of the threats that arising was mentioned by a few respondents is illegal tourism. According to the respondents' explanation, illegal tourism has occurred when several Finnish tour operators provide a full range of tourists' services on the Russian side on the particular route without a Russian tourist license, which should the obtained from the Russian Federal Tourism Agency. It caused many difficulties for Russian tour operators to serve international as well as domestic clients.



**Table 2** Summary of the SWOT analysis

<p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• Good geographical location</li> <li>• New and recently renovated accommodation facilities</li> <li>• Rich historical and cultural heritage</li> <li>• Pure nature</li> <li>• Experienced tourist companies operating on the tourist route</li> <li>• Diversification of tourists services</li> <li>• EU's cross-border projects facilities</li> </ul>	<p><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>• Obligatory temporary residence registration for foreigners</li> <li>• Underdeveloped road infrastructure</li> <li>• Not enough direction signs along the roads in Finnish language</li> <li>• Lack of safety along the route</li> <li>• Lack of tourist information resources</li> <li>• Lack of permanent partnership agreements</li> </ul>
<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• Northern Karelian Tourist Route is a visited and well known place</li> <li>• Nature is unpolluted</li> <li>• Increase the number of international clients</li> <li>• Increase capacity of hotels</li> <li>• Decrease prices of accommodation</li> <li>• Providing necessary facilities for safe parking place for caravans</li> <li>• Provide more information abroad about new tourist products</li> <li>• To organize helicopter tours and husky safari</li> <li>• To use the EU's funds for development of infrastructure</li> <li>• Express visa for EU member citizens</li> </ul>	<p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>• Lack of capital and investment</li> <li>• Changes in the Value Added Tax</li> <li>• Weak state and governmental support</li> <li>• Very expensive visas</li> <li>• Illegal tourism</li> </ul>

### 6.3. Future forecast

As a matter of fact it is hard to describe the whole picture of the future CBC tourism network development. But it should be positive mark that most tourist firms and entrepreneurs, wanted to increase their contacts with Finnish tourist companies. By the way, in spite of some negative aspects from incoming tourism, which were mentioned above, Russian tourism entrepreneurs proposed, "amount of Finnish tourists will be the same or slightly increase during next five years". "But at the same time this increase would be possible only if the road conditions will be improved significantly, and if the new cross-border point station "Lonka" will be operate for passengers", a majority of respondents said.

According to the survey's results, the most popular tourism services for next season will be fishing, hunting, rafting, canteen services, caravans' trips, nature observations, and family accommodation. Some respondents said, "CBC network is going to be continuously developed only, if reliable long-term partnership contracts will the achieved".

Finally, there is an interesting note mentioned by several respondents. They stated that "small and flexible Finnish tourist companies that specialize in products where they have special know-how and where market area is often international may get benefits from Russia's economic growth and expand to the cross-border side, by taking advantage of their close proximity and knowledge of the markets".

## **7. Conclusions**

In the thesis, the author has performed the analysis of the current situation of inbound tourism services within Northern Karelian Tourist Route. Furthermore, drawbacks and factors that are beneficial for potential growth of the cross-border tourism, which were identified during the research in combination with the results of the SWOT analysis, allowed determination of possibilities for developing a tourism network within Finnish-Russian cross-border co-operation.

According to all opinions and point of views obtained and analyzed during an interview's process, permitted emphasizing several priorities of development in the tourism network, and to make a small comparative analysis with similar Finnish survey's results.

The first one is there are a lot of active tourist entrepreneurs and local authorities within cross-border co-operation area with a more or less sustained amount of Finnish partners and international client chain. In this respect, they can be as a base for future tourism activity growth.

The second is there is a quite profitable diversified system of tourists services for international clients, which is constantly updated.

The third one is that EU cross-border project activity continues and new projects were launched recently. It will give hope for sustainable growth and elasticity in international tourism network contacts.

The fourth one is that the demand for active tourist services will constantly increase during next 5 years within the cross-border area. It means that the amount of international clients will increase as well.

The fifth, it is obvious fact; there is willingness and readiness to increase and established more profound, reliable long-term agreements with Finnish tourist companies.

There are a lot of similarities between the Russian and Finnish surveys' results. In both was mentioned that the most organized tourism tours last season were cultural trips, bus trips,

rafting, canoeing and hiking. The most popular accommodation was hotels, cottages and with families.

By the way, both results showed also, that the most of the respondents wanted to increase their partnership contacts.

As for the forecast during the next five years, both survey's results indicated the increasing of competitiveness, improvements of tourism services, increasing amounts of fishing, boating, hotel, family and cottage accommodation, and hiking tours, but decreasing nostalgia tours.

Among all positive similarities, some negatives were mentioned in both survey's results. First of all, both sides don't trust each other 100 % due to cultural differences, different attitudes to way of doing tourism business and protection of their own economic interests.

Secondly, the decision-making process, concerning booking of hotel rooms, prices and payment, is always late or unreliable.

Thirdly, there is a lack of reliable long-term partnership.

The work of the Karelian local authorities in general was estimated in both results, as satisfactory.

From the author's point of view, there are enough opportunities to conduct new research within Finnish-Russian cross-border co-operation in the near future. One for instance, might be an idea to analyze what is the role of rural tourist routes in the frame of cross-border tourism.

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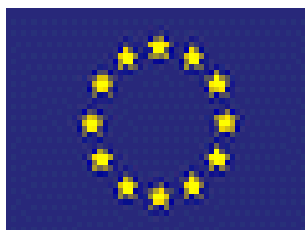
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INTERREG III A KARJALA -OHJELMA

Honored respondent,

Kajaani Polytechnic has implemented many domestic and international EU- projects since 1995. Kajaani Polytechnic in cooperation with University of Oulu has made an application form for new project; Northern Gateway to Karelian, Project, which will be implement during the period 1.9.2005 – The Provincial State Office of Oulu will fund 30.6.2007. Target of the project will be to improve environment and possibilities of tourism entrepreneurs on the both side of the border to make better cooperation and develop better products for international markets.

The study is a part of the new project. Target of the study is to give information of the opinions and needs of Russian tourism entrepreneurs and authorities, which are concerning the tourism for further development of CBC in tourism. Results of the study will be reported so that none of the single result can be recognized. Results will be used for planning the detailed project plan of the new project. Project assistant Arthur Germanovitsh Alekseev, who has a long experience of CBC in tourism, will carry out the study. We hope that you will have positive attitude toward the study and this is also a very good moment for you to give your opinions and needs concerning the CBC in tourism, which can be noticed in our new project's implementation. At the same time you have a possibility to have further information by Arthur Germanovitsh Alekseev concerning our new interreg project and possibility to join the project as a partner by filling the letter of intent.

We are pleased to give further information if needed; Project Manager Jorma Korhonen, Kajaani Polytechnic, tel. +358 44 7101 636 or Expert Gottfried Effe, tel. +358 40 7003 259.

Yours sincerely

KAJAANI POLYTECHNIC  
Department of R&D

Jorma Korhonen  
Project Manager

UNIVERSITY OF OULU  
Training and Research Services

Gottfried Effe  
Expert

***1. Questionnaire***

**Questions for Karelian tourism firms and entrepreneurs:**

1. What kind of tourism services do you provide?
2. How many personnel you have?
3. When did you start organize incoming tourism services?
4. What type of incoming tourism services do you provide?
5. What kind of marketing tools do you use in organizing an international marketing campaign?
6. How many international clients do you have per season?
7. From which countries are the clients coming?
8. How big a percentage of annual turnover come from incoming tourism?
9. What kind strengths and weaknesses you can identify from incoming tourism?
10. Are there any opportunities and threats for incoming tourism at present time?
11. Are looking for new partners in Finland?
12. Are you using an existing network for incoming tourism?
13. How do you estimate Finnish-Russian tourism cooperation during next 5 years?
14. What kind of priorities can you identify within these 5 years?

THANK YOU FOR YOUR TIME!

***2. Questionnaire***

***Questions for Karelian local authorities:***

1. What is your opinion about tourism development in the region?
2. What is your point of view about cross-border cooperation in tourism?
3. What are the strengths and weaknesses can you indicate within Finnish-Russian tourism development?
4. What opportunities and threats can you indicate within Finnish-Russian tourism development?
5. From your point of view, what is necessary to be done for the improvement of incoming tourism development at this present time?
6. What is your forecast concerning, Finnish-Russian tourism network development during the next 5 years?

THANK YOU FOR YOUR TIME!

## **The list of respondents**

- **Kostomuksha**

1. "Intourist-Kalevala"
2. "Matka-Kos" – Dmitri Zaharov
3. Olga Lehtinen, tourist firm "Kotiranta"
4. "Kos-Tour", Arhipov Andrei
5. "Cultural Museum Centre", Martemijanova Irina
6. City Administration, Bigun Nikolai
7. "Fregat", Salaka Nikolai

- **Kalevala**

1. "Sampo-Tour"
2. "Welt-Karelia trips"
3. Kalevala village administration
4. Holiday village "Kormusniemi"

- **Jyskyjärvi**

1. Head of the village Kuhareva Zinaida
2. Tourist entrepreneur Raisa Rybakova

- **Vuokkiniemi**

1. The Fund of Arhippa Pertunen
2. Ivan Lesonen, family accommodation
3. Head of the village Svetlana Remshu
4. "Kuitinpirtti"; Igor Zaprudski ja Riitta Heikkinen
5. "Zern", Private home accommodation

- **Kem**

1. "Prichal"
2. "Kuzova Tourist Centre"
3. "Kem" tourism firm
4. Town's administration

- **Tiksha**

1. Tourist Company "Tiksha Cottages" Ltd, Oleg Hrupin

*The Republic of Karelia  
Map*



*The Northern Karelian Tourist Route Map*



***The Diary of the Trip***

1. Kostomuksha, 19.09.2005; During this day 4 interviews were carry out among them: with the director of Cultural Museum Centre, Mrs. Irina Shashkova, with the director of tourist firm “Matka-Kos” Mr. Dmitry Zaharov and with the director of tourist firm “Kotiranta” Mrs. Olga Lehtinen, and also with Mr. Bigun Nikolai, the head of Economical Development department of Kostomuksha town administration.
2. Vuokkiniemi, 20.09.2005; this day was successful for interviews. The first one was accomplished with the head of the village Mrs. Svetlana Remshu. The second one was with representatives of the private home accommodation organization “Zern”. The third one was with the tourist firm “Kuitinpirtti”, Riitta Heikkinen and Igor Zaprudski.
3. Kalevala, 20-21.09.2005; concerning this point it is needed to indicate the following interviews: tourist company “Welt Karelia-Trips”, the head of the Kalevala village Mr. Stepanov and specialists on tourism development, the director of the holiday village “Kormusniemi”.
4. Jyskyjärvi, 21.09.2005; at this point one interview was conducted with private entrepreneur Mrs. Raisa Rybakova
5. Kem, 22.09.2005; there was only one interview with the director of tourist company “Prichal” Mrs. Frolova Valerija
6. Tiksha, 23.09.2005; one interview was carried out with the director of tourist company “Tiksha Cottages” Mr. Oleg Hrupin

**Time table and cost estimation**

The topic was discussed at workplace with the party commissioning the work and approved in 02.06.2005.

Projects actions	Time framework
1. Writing project plan and Introduction part of the thesis	Wk 22,23,24,25
2. Writing Theoretical part of the thesis	Wk 25,26,27,28,29,30
3. Writing Methodological part of the thesis and preparing questions	Wk 31,32,34
4. Material acquisition and conducting interview trips	Wk 35,36,37,38,39
5. Analysis of the results	Wk 40,41,42
6. Results interpretation and writing conclusion	Wk 42,43,44
7. Presentation of the results	Wk 45

All the expenses, related to acquisition of the material and the party commissioning the work has covered the trips.